

In the Matter of)	No. G2000-47
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
WESTERN NATIONAL ASSURANCE)	AND ORDER ADOPTING REPORT
COMPANY)	

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **WESTERN NATIONAL ASSURANCE COMPANY** (the Company) as of December 31, 1998, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions and comments and recommendations was transmitted to the Company for its comments on June 8, 2000. The Company's response dated July 6, 2000, is attached hereto only to facilitate review and for no other purpose.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 23 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **WESTERN NATIONAL ASSURANCE COMPANY**.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these orders adopt and are based on the Instructions and Comments and Recommendations contained in the examination report on pages 2- 10:

1. The Company is ordered to comply with RCW 48.12.160(1) by non-admitting any portion of the reserve credit for reinsurance taken that is in excess of the funds withheld under the reinsurance contract. See Instruction 1a, page 2.
2. The Company is ordered to comply with RCW 48.05.250 and WAC 284-07-050(2) by following NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual in recording, classifying, and reporting its financial transactions. See Instruction 1b, page 2, Instruction 3, page 4, and Instruction 6, page 6.
3. The Company is ordered to comply with RCW 48.31B.030(1)(b)(iii) by submitting its reinsurance contracts to OIC for approval; those contracts to comply with RCW 48.12.160 and 48.12.164 and any other applicable statute or regulation. See Instruction 1c, page 3.
4. The Company is ordered to comply with RCW 48.12.160 by complying with the terms of the reinsurance contract with the Company's parent Western National Mutual Insurance Company. See Instruction 1d, page 3.
5. The Company is ordered to comply with RCW 48.12.160, 48.12.166, and 48.05.280 by properly filing quarterly statements to reflect increases in reserves for unauthorized reinsurers and by properly monitoring all reinsurers. See Instruction 2, page 4 and Instruction 12, page 10.
6. The Company is ordered to comply with all provisions of Chapter 48.98 RCW in its contracts and transactions with managing general agents. See Instruction 4, parts a-f, pages 5 and 6 and Instruction 11, page 10.

7. The Company is ordered to comply with RCW 48.31B.030 by filing for approval with OIC its cost sharing agreement with its parent Western National Mutual Insurance Company. See Instruction 5, page 6.
8. The Company is ordered to comply with RCW 48.07.040 and its Bylaws by holding regular annual shareholder meetings in the first four months of each calendar year. See Instruction 7, page 6.
9. The Company is ordered to comply with WAC 284-07-050 by (1) executing a custodial agreement with U.S. Bank that complies with NAIC guidelines for such agreements, and (2) assuring that investments held by brokerage firms are held by firms complying with NAIC guidelines. See Instructions 8 and 9, page 7.
10. The Company is ordered to comply with RCW 48.05.280 by correcting noted internal control deficiencies and instituting written guidelines for assuring adequate internal control practices. See Instruction 10, parts a-e, pages 8-9.
11. It is recommended the Company monitor closely Guy Carpenters' ability to negotiate reinsurance contracts for the crop hail business. (See Comments and Recommendations 1, page 10).
12. It is recommended the Company consider changing its bylaws to include a minimum number of "outside" (non-company) directors be appointed to the Board of Directors. (See Comments and Recommendations 2, page 10).

The Company is further ordered to file with the Chief Examiner, not more than 90 days from the date of this order, a detailed description of how the Company has corrected the conditions, giving rise to each Instruction in the examination report.

ENTERED at Lacey, Washington, this 5th day of September, 2000.

DEBORAH SENN
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division